



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

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KROLL REPORT CONFIRMS CITY ATTORNEY'S INVESTIGATIVE FINDINGS INTO THE CITY'S PENSION CRISIS AND CORRUPTION AT CITY HALL

San Diego, CA: The 265-page Kroll report released today at a cost to taxpayers of \$20 million, largely mirrors conclusions reached by the City Attorney over 18 months ago in his Interim Reports but fell short of the City Attorney's findings as to culpability.

"What essentially has occurred here is that San Diego taxpayers have been bilked out of \$20 million by big-league East Coast operators," said City Attorney Michael Aguirre.

While concluding that pension benefits approved by the City Council in 1996 and 2002 were illegal, Kroll's report recommended that they nonetheless be paid. The report also failed to detail possible illegal acts on the part of elected City officials as requested by KPMG, the City's outside auditor, in an August 9, 2004 letter sent to the City. KPMG requested the investigation in order to complete the long overdue 2003 audit of the City's financial statement after an initial investigation by Vinson & Elkins was widely criticized as inadequate.

Aguirre specifically questioned the report's findings that elected City officials acted only with negligence in their bond disclosure duties to investors; employee pension benefits, while illegal, must still be paid; and that the San Diego City Employees' Retirement System (SDCERS) should continue to keep a board-appointed legal counsel.

"SDCERS appointing its own legal counsel is how we got a \$1.4 billion employee pension deficit. The elected City Attorney is the Chief Legal Advisor to the SDCERS Board—that's the way it was for 75 years before a 1997 agreement changed that safeguard," said City Attorney Aguirre.

Aguirre further added, "To recommend the payment of illegal benefits is preposterous. In October a jury will decide on whether these pension benefits must be paid by the City. Meanwhile, we are expecting that the U.S. Securities and Exchange Commission (SEC) will determine whether the acts of elected City officials were negligent, reckless, or committed with willful intent."

The Kroll report also proposed 54 remediation recommendations that the City will evaluate. ###

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